

# State of Missouri Office of Secretary of State

Case No. AP-07-41

IN THE MATTER OF:

STEPHEN M. COLEMAN, CRD #1004434;  
DAEDALUS CAPITAL, LLC, CRD #112705; and  
CHICKEN LITTLE FUND GROUP, CRD #135592,

*Respondents.*

Serve all at:

500 North Broadway  
Suite 1450  
St. Louis, Missouri 63102

## **Order To Cease And Desist And Order To Show Cause Why Civil Penalties And Costs Should Not Be Imposed**

On October, 17, 2007, the Enforcement Section of the Securities Division of the Office of Secretary of State (the "Division"), through its Chief Enforcement Counsel, Lori Neidel, submitted a Petition for Order to Cease and Desist and Order to Show Cause Why Civil Penalties and Costs Should Not Be Imposed and Order to Refer to Administrative Hearing Commission for Revocation of Registration. After reviewing the petition, the Commissioner issues the following findings of fact, conclusions of law and order:

### **I. FINDINGS OF FACT**

1. Daedalus Capital, LLC ("Daedalus") was formed on August 23, 1994, as a limited liability company in the State of Missouri. Daedalus is a Missouri-registered investment adviser with an address of 500 North Broadway, Suite 1450, St. Louis, Missouri 63102. Daedalus is registered in Missouri through the Central Registration Depository System ("CRD") maintained by the Financial Industry Regulatory Authority with CRD Number 112705. Daedalus was previously registered with the U.S. Securities and Exchange Commission ("SEC"). Daedalus is the super-majority shareholder and the investment adviser of Chicken Little Fund Group ("CLFG").
2. CLFG is a Missouri-registered investment adviser with an address of 500 North Broadway, Suite 1450, St. Louis, Missouri 63102. CLFG is registered in Missouri through the CRD with Number 135592. CLFG was incorporated in Missouri on December 15, 2004, to engage in the business of forming and sponsoring mutual funds.
3. Stephen M. Coleman ("Coleman") is a Missouri-registered investment adviser representative with a business address at 500 North Broadway, Suite 1450, St. Louis, Missouri 63102. Coleman is registered in Missouri through the CRD with Number

1004434, and is a representative of both Daedalus and CLFG. Coleman is the founder, owner and chief investment officer of Daedalus. Coleman is also president, promoter, and director of CLFG. In addition, Coleman served as portfolio manager of the Chicken Little Growth Fund, described more fully below.

4. Ayanna Jones (“Jones”) is Treasurer of CLFG with an address of 500 North Broadway, Suite 1450, St. Louis, Missouri 63102.
5. Delores Black (“Black”) is Secretary of CLFG with an address of 500 North Broadway, Suite 1450, St. Louis, Missouri 63102.
6. Coleman, Jones, and Black are the members of the Board of Directors of CLFG.
7. As used in this document the term “Respondents” refers to Daedalus, CLFG, and Coleman.
8. United Series Trust (“UST”) is an open-end investment company incorporated under the laws of Ohio. UST was organized to engage in the business of a registered open-end investment company and is governed by an independent board of directors. UST offers several series of shares of mutual funds to investors.
9. In or about January 2005, Coleman entered into discussions with UST to start a mutual fund. As a result of these discussions, on August 5, 2005, UST organized and began a non-diversified mutual fund series called Chicken Little Growth Fund (the “Growth Fund”). The Growth Fund sought to provide long-term capital appreciation to investors who purchased interests in it. On January 16, 2007, UST discontinued offering shares of the Growth Fund.
10. In January 2005, CLFG filed under SEC Rule 506 a Notice of Sale of Securities pursuant to Regulation D with the SEC and the Division to sell CLFG stock.
11. CLFG entered into a management agreement with UST on July 22, 2005, to act as the sole investment adviser to the Growth Fund. Under this agreement CLFG would receive 2.25% of the average value of the Growth Fund’s daily net assets as compensation for services.
12. CLFG also agreed to assume the liability for the Growth Fund’s expenses and fees that exceeded 3% of the Growth Fund’s average daily net assets through July 31, 2007. The Growth Fund’s prospectus filed by UST with the SEC reads, in part, as follows:

This management fee is higher than the management fee paid by most other mutual funds. However, the advisor contractually has agreed to waive its management fee and/or reimburse expenses so that Total Annual Fund Operating Expenses, excluding brokerage fees and commissions, any 12b-1 fees, borrowing costs . . . taxes and extraordinary expenses, do not exceed 3.00% of the Fund’s average daily net assets through the end of its second fiscal year. Each waiver or reimbursement by the advisor is subject to repayment by the Fund within the three fiscal years following the fiscal year in which that particular expense is incurred; provided that the Fund is able to make the repayment without exceeding the 3.00% expense limitation.

13. From August 5, 2005 up to July 31, 2006, the Growth Fund incurred expenses of approximately 35% of its daily net assets. Under the management agreement, CLFG was responsible for payment of the Growth Fund's expenses above 3%, or 32%. According to the Growth Fund's Annual Report dated July 31, 2006, CLFG was responsible for \$128,476 in expenses. The Growth Fund was owed \$27,852 by CLFG.
14. When CLFG was unable to pay the Growth Fund expenses, the UST board of directors voted to discontinue offering Growth Fund's shares for purchase. On December 1, 2006, The Supplement to the Prospectus and Statement of Additional Information filed by UST with the SEC stated, among other things:

The advisor to the Fund has indicated that it is currently not able to reimburse the Fund for certain operating expenses as required by the advisor's expenses limitation/reimbursement agreement with the Trust on behalf of the Fund . . . . The advisor has advised the Board of Trustees that it is actively seeking to raise capital to reimburse the Fund for all accrued reimbursable expenses; however there is no guarantee that the advisor will be able to obtain such funds . . . . The Board of Trustees will be forced to consider liquidating the Fund in the event the advisor fails to reimburse the Fund (or to make acceptable arrangements for payment) by December 31, 2006.

15. On December 7, 2006, another Supplement to the Prospectus and Statement of Additional Information was filed again with the SEC, this time stating, among other things, the following:

On December 4, 2006, the advisor reimbursed the Fund for all outstanding amounts through November 30, 2006. As a result, the Fund again began offering its shares for purchase . . . .

16. A Supplement to the Prospectus and Statement of Additional Information was once again filed by UST with the SEC on January 16, 2007, and stated among other things:

the Board of Trustees determined to redeem all outstanding shares of Chicken Little Growth Fund and to cease operations of the Fund due to the Board's decision that it is no longer viable to continue the Fund.

17. On January 18, 2007, Coleman sent letters to all investors in CLFG that stated, among other things, the following::

Chicken Little Growth Fund has ceased operations. The Fund is governed by an independent Board of Directors. The Unified board decided on Tuesday, January 16, 2007 to begin the liquidation process. I was informed by telephone. Several reasons were given. But, the most significant were the regulatory risk to the other assets of the Unified Series Trust, the small amount of assets that had been attracted to the fund, and the uncertainty of available funding for the ongoing cost of operations.

18. On February 8, 2006, a sixty-two (62) year-old Missouri resident ("MR1") used a portion of his retirement funds to purchase two hundred (200) shares of preferred

stock of CLFG for twenty thousand dollars (\$20,000.00).

19. MR1 had been a client of Daedalus and Coleman for approximately three (3) years before purchasing the CLFG stock. MR1 was not an accredited investor before or at the time he made the CLFG investment.
20. MR1 did not receive any dividend payments from his CLFG investment.
21. Coleman did not tell MR1 that his investment was dependent upon the success of Growth Fund.
22. On January 11, 2005, a twenty-two (22) year-old Missouri resident (MR2) purchased two hundred twenty-five (225) shares of CLFG, for twenty-two thousand, five hundred dollars (\$22,500.00).
23. Coleman invested half of MR2's funds into CLFG and the other half into various stocks recommended by Coleman.
24. MR2 believed that her purchase of the CLFG stock was actually an investment in the Growth Fund. She received a letter on August 26, 2005, from Coleman that stated, in part, "We are proud to share with you the prospectus for Chicken Little Growth Fund. We hope that you find it suitable for the portion of your assets that seeks long-term capital appreciation in the stock market."
25. MR2 did not understand the relationship between CLFG and the Growth Fund and was confused by the similar names of these entities.
26. MR2 received dividend checks from CLFG of approximately seven hundred dollars (\$700.00) each from March 2005 until the payments ceased around March 2006.
27. Around September 22, 2005, a Georgia resident ("GR1") purchased two hundred (200) shares of CLFG preferred stock for twenty thousand dollars (\$20,000.00).
28. GR1 was introduced to the CLFG investment through her MetLife financial planner, Don Roman, in Georgia, who was familiar with Coleman.
29. GR1 did not receive a PPM or any other documents regarding her investment in CLFG.
30. GR1 received one (1) dividend payment around December 31, 2005, of six hundred twenty five dollars (\$625.00).
31. Around September 21, 2006, GR1 made an additional investment into CLFG of fifty thousand dollars (\$50,000.00).
32. On October 1, 2006, Coleman sent a letter to GR1 stating, in part, the following:

I thank you for your September 21, 2006, investment of \$50,000 into Chicken Little Fund Group Inc. Your \$50,000.00 investment entitles you to ownership of 1 % of the common stock of Chicken Little Fund Group, Inc. This supplements your prior investment of \$20,000.00. In addition, I have stated that it is Daedalus Capital, L.L.C.'s commitment, as the

majority shareholder of Chicken Little Fund Group, Inc., to return your \$50,000.00 on or before October 21, 2006. After you receive this \$50,000.00 payment, your ownership will remain the same.

33. On October 20, 2006, Coleman sent a second letter to GR1 stating, in part, the following:

On October 1, 2006 I wrote a letter to you regarding the \$50,000 investment that you made in Chicken Little Fund Group, Inc. In that letter I stated that Daedalus Capital, L.L.C., as the majority owner of Chicken Little Fund Group, Inc., was committed to returning your initial investment on or before October 21, 2006, which is tomorrow. Today, I must admit that we cannot meet this deadline. A number of factors are to blame.

I ask that you remain patient. There are several positive events taking place in the next thirty days. We should be able to return your capital by November 20, 2006 or sooner. That is our goal. I apologize for the delay.

34. As of October 17, 2007, GR1 had not received a return of any of her investment.
35. CLFG's PPM stated that CLFG had been formed to engage in the business of forming and managing mutual funds. This PPM stated, among other things, the following:

The proceeds from this offering will be used to form and promote a new mutual fund...The Company intends to use the proceeds from this offering for working capital, reserves, and direct investments in funds formed by the Company.

36. On February 2, 2005, the board of directors for CLFG voted to pay off a federal tax lien levied against Coleman and his spouse in the amount of one hundred thousand dollars (\$100,000.00).
37. On September 1, 2005, the board of directors for CLFG voted to pay one basis point per year to Jones and Black as compensation for their services as board members.
38. On December 18, 2005, the board of directors for CLFG voted to pay for Stephen and Judi Coleman's financial plan from MetLife for thirty thousand dollars (\$30,000.00).
39. On September 20, 2006, the board of directors for CLFG voted to pay the directors of CLFG five hundred dollars (\$500.00) per meeting. The payments would be retroactive to the Growth Fund's startup date. As a result of this vote each director received three thousand five hundred dollars (\$3,500.00) in back pay. At its September 2006 meeting, the CLFG board of directors also voted that the directors would receive a bonus when the Growth Fund reached ten million dollars (\$10,000,000.00) in assets, and that they would receive an annual payment of two thousand five hundred dollars (\$2,500.00) beginning in December 2006.
40. According to the PPM, CLFG is to pay Daedalus an investment advisory fee of one hundred thousand dollars (\$100,000.00) per quarter and additional compensation to Coleman as Portfolio Manager of the Growth Fund of twenty five thousand dollars

(\$25,000.00) per quarter plus a Founders Fee of twenty five (25) basis points of all assets under management to the extent that assets under management exceed fifty million dollars (\$50,000,000.00).

41. Further additional compensation would be paid separately by CLFG to Coleman in the form of a base fee of one hundred thousand dollars (\$100,000.00) per year plus a Founders Fee of twenty-five (25) basis points of all assets under management to the extent that the assets exceed fifty million dollars (\$50,000,000.00).
42. From December 2004 through September 2006, Daedalus Capital received \$580,000, and Coleman received \$145,000, from CLFG. This amount represents approximately sixty percent (60%) of all funds received by CLFG.
43. From June 2006 through September 2006, Coleman made wire transfers of funds in the amount of \$115,000 from CLFG to Daedalus Alpha, and then the same amounts were wired to Coleman's personal account shortly thereafter. Daedalus Alpha is a Daedalus product featuring investment opportunities in a portfolio of up to five stocks. Daedalus Alpha is not related to CLFG.
44. Two prior civil judgments have been entered against Coleman for breaches of contract. Daedalus and Coleman were named in a suit for non-payment of promissory notes in the amount of seven hundred thousand dollars (\$700,000.00) in 1997. Coleman and Daedalus entered into a consent judgment for the repayment of those funds in June 1997. Another cause of action was filed in 1997 against Coleman and a related entity arising from the non-payment of a short term loan agreement that Coleman had personally guaranteed for one of his businesses, Daedalus Entertainment. Coleman entered into a consent judgment with the plaintiff for forty-seven thousand two hundred and fifty dollars (\$47,250.00). Coleman failed to pay the amount agreed upon in the second consent judgment. A "garnishment and writ of execution" was entered against Stephen Coleman and Daedalus Entertainment.
45. An order is in the public interest and consistent with the purposes intended by this act.

## II. APPLICABLE STATUTES

46. Section 409.6-601(a), RSMo. (Cum. Supp. 2006), reads in part as follows: "This [Missouri Securities Act of 2003] shall be administered by the commissioner of securities who shall be appointed by and under the direction of the secretary of state . . . ."
47. Section 409.1-102(26), RSMo. (Cum. Supp. 2006), defines "offer to sell" as "every attempt or offer to dispose of, or solicitation of an offer to purchase, a security or interest in a security for value."
48. Section 409.1-102(28), RSMo. (Cum. Supp. 2006), defines a "security" to include a stock.
49. Section 409.3-301, RSMo. (Cum. Supp. 2006), states:

It is unlawful for a person to offer or sell a security in this state unless:

- (1) The security is a federal covered security;
- (2) The security, transaction, or offer is exempted from registration under sections 409.2-201 to 409.2-203; or
- (3) The security is registered under this act.

50. Section 409.5-501, RSMo. (Cum. Supp. 2006), states:

It is unlawful for a person, in connection with the offer, sale, or purchase of a security, directly or indirectly:

- (1) To employ a device, scheme, or artifice to defraud;
- (2) To make an untrue statement of a material fact or to omit to state a material fact necessary in order to make the statement made, in the light of the circumstances under which it is made, not misleading; or
- (3) To engage in an act, practice, or course of business that operates or would operate as a fraud or deceit upon another person.

51. Section 409.4-412, RSMo. (Cum. Supp. 2006), states in part as follows:

(a) If the commissioner finds that the order is in the public interest and subsection (d) authorizes the action, an order issued under this act may deny an application, or may condition or limit registration: (1) of an applicant to be a broker-dealer, agent, investment adviser, or investment adviser representative, and (2) if the applicant is a broker-dealer or investment adviser, of any partner, officer, director, person having a similar status or performing similar functions, or person directly or indirectly controlling the broker-dealer or investment adviser.

(b) If the commissioner finds that the order is in the public interest and subsection (d) authorizes the action an order issued under this act may revoke, suspend, condition, or limit the registration of a registrant and if the registrant is a broker-dealer or investment adviser, any partner, officer, or director, any person having a similar status or performing similar functions, or any person directly or indirectly controlling the broker-dealer or investment adviser. However, the commissioner:

(1) May not institute a revocation or suspension proceeding under this subsection based on an order issued by another state that is reported to the commissioner or designee later than one year after the date of the order on which it is based; and

(2) Under subsection (d)(5)(A) and (B), may not issue an order on the basis of an order under the state securities act of another state unless the other order was based on conduct for which subsection (d) would authorize the action had the conduct occurred in this state.

(c) If the commissioner finds that the order is in the public interest and subsection (d)(1) to (6), (8), (9), (10), or (12) and (13) authorizes the

action, an order under this act may censure, impose a bar, or impose a civil penalty in an amount not to exceed a maximum of five thousand dollars for a single violation or fifty thousand dollars for several violations on a registrant and if the registrant is a broker-dealer or investment adviser, any partner, officer, or director, any person having similar functions or any person directly or indirectly controlling the broker-dealer or investment adviser.

(d) A person may be disciplined under subsections (a) to (c) if the person:

. . .

(2) Willfully violated or willfully failed to comply with this act or the predecessor act or a rule adopted or order issued under this act or the predecessor act within the previous ten years;

. . .

(13) Has engaged in dishonest or unethical practices in the securities, commodities, investment, franchise, banking, finance, or insurance business within the previous ten years; or . . .

52. Section 409.5-502, RSMo. (Cum. Supp. 2006), states in part as follows:

(a) It is unlawful for a person that advises others for compensation, either directly or indirectly or through publications or writings, as to the value of securities or the advisability of investing in, purchasing, or selling securities or that, for compensation and as part of a regular business, issues or promulgates analyses or reports relating to securities:

(1) To employ a device, scheme, or artifice to defraud another person; or

(2) To engage in an act, practice, or course of business that operates or would operate as a fraud or deceit upon another person.

53. Section 409.6-604(a), RSMo. (Cum. Supp. 2006), states:

If the commissioner determines that a person has engaged, is engaging, or is about to engage in an act, practice, or course of business constituting a violation of this act or a rule adopted or order issued under this act . . . the commissioner may:

(1) Issue an order directing the person to cease and desist from engaging in the act, practice, or course of business or to take other action necessary or appropriate to comply with this act . . .

54. Section 409.6-604(b), RSMo. (Cum. Supp. 2006), states:

An order under subsection (a) is effective on the date of issuance. . . . If a person subject to the order does not request a hearing and none is ordered by the commissioner within thirty days after the date of service

of the order, the order becomes final as to that person by operation of law.

55. Section 409.6-604(c), RSMo. (Cum. Supp. 2006), reads in part as follows: “The final order may make final, vacate, or modify the order issued unless under subsection (a).”
56. Section 409.6-604(d), RSMo. (Cum. Supp. 2006), reads as follows: “In a final order under subsection (c), the commissioner may impose a civil penalty up to one thousand dollars for a single violation or up to ten thousand dollars for more than one violation.”
57. Section 409.6-604(e), RSMo. (Cum. Supp. 2006), reads as follows: “In a final order, the commissioner may charge the actual cost of an investigation or proceeding for a violation of this act . . . . These funds may be paid into the investor education and protection fund.”
58. Section 409.6-610, RSMo. (Cum. Supp. 2006), reads in pertinent part as follows:
  - (a) Sections 409.3-301 [and] 409.5-501 . . . do not apply to a person that . . . offers to sell a security unless the offer to sell . . . is made in this state . . . .
  - (c) For the purpose of this section, an offer to sell . . . is made in this state, whether or not either party is then present in this state, if the offer: . .
  - (2) Originates from within this state . . . .

### III. CONCLUSIONS OF LAW

#### **Multiple Violations of Employing a Device, Scheme, or Artifice to Defraud**

59. Paragraphs 1 through 58 are incorporated by reference as though fully set forth herein.
60. In connection with the offer or sale of securities to MR1, MR2 and GR1, Respondents employed a device, scheme or artifice to defraud when they:
  - a. Used one hundred thousand dollars (\$100,000.00) of investor funds to pay a federal tax lien for Coleman; and
  - b. Used thirty thousand dollars (\$30,000.00) of investor funds to pay for a financial plan for Coleman and his wife.
61. Respondents violated Section 409.5-501(1), RSMo. (Cum. Supp. 2006), when they employed the device, scheme or artifice to defraud described immediately above.
62. Respondents’ actions in employing a device, scheme, or artifice to defraud constitute an illegal act, practice, or course of business under Section 409.6-604(a), RSMo. (Cum. Supp. 2006).

**Multiple Violations by Respondent Coleman of Engaging in an Act, Practice or Course of Business that Operates or Would Operate as a Fraud or Deceit Upon Another Person in Connection with the Offer or Sale of a Security**

63. Paragraphs 1 through 58 are incorporated by reference as though fully set forth herein.
64. Coleman engaged in an act, practice, or course of business that would operate as a fraud or deceit upon investors when Coleman and CLFG held board meetings between February 2005 and September 2006 at which he and the other two members of the board (employees of Daedalus) voted to: a) use investors' funds to pay Coleman's one hundred thousand dollar (\$100,000.00) federal tax lien; and b) authorize the use of investors' funds to pay for a thirty thousand dollar (\$30,000.00) personal financial plan for Coleman and his spouse.
65. Coleman's actions as a member of the CLFG board of directors involving use of votes of the board to authorize the use of investor funds for his personal expenses were an act, practice or course of business that operated or would operate as a fraud or deceit upon MR1, MR2 and GR1 in violation of Section 409.5-501(3), RSMo. (Cum. Supp. 2006).
66. Coleman's engagement in an act, practice or course of business that would operate as a fraud or deceit constitutes an illegal act, practice, or course of business under Section 409.6-604(a), RSMo. (Cum. Supp. 2006).

**Multiple Violations by Respondent Coleman of Omitting to State Material Facts in Connection with the Offer to Purchase or the Sale of a Security**

67. Paragraphs 1 through 58 are incorporated by reference as though fully set forth herein.
68. Coleman, in connection with the offer to purchase or sell securities, omitted to state material facts necessary in order to make statements made, in light of the circumstances under which they were made, not misleading including, but not limited to, the following:
  - a. that investors' money would be used to pay for:
    1. Coleman's \$100,000 federal tax lien; and
    2. a \$30,000 financial plan for Coleman and his wife;
  - b. that CLFG had stopped paying dividends to the preferred stock shareholders when Coleman offered and sold GR1 common stock in CLFG;
  - c. that CLFG's assets were insufficient to meet the contractual obligations under the management agreement with the Growth Fund;

- d. that \$115,000 in funds would be transferred from CLFG to an account in the name of Daedalus Alpha, a product of Daedalus, and then transferred to Coleman's personal account; and
  - e. that Coleman was the subject of two civil judgements for breach of contract, and that Daedalus was also the subject of one of those judgments, both related to failure to satisfy debt obligations.
69. Coleman violated Section 409.5-501(2), RSMo. (Cum. Supp. 2006), when he omitted to state a material fact necessary to make statements made not misleading, as described immediately above.
70. Coleman's actions involving omitting to state material facts constitute an illegal act, practice, or course of business under Section 409.6-604(a), RSMo. (Cum. Supp. 2006).

**Violation by Respondent Coleman of Making an Untrue Statement of a Material Fact in Connection with the Sale of a Security**

71. Paragraphs 1 through 58 are incorporated by reference as though fully set forth herein.
72. Coleman, in connection with the offer to purchase or sell securities, made an untrue statement of a material fact when, among other things, Coleman told GR1 that GR1 would receive GR1's fifty thousand dollar (\$50,000.00) investment back on or before October 21, 2006, when in fact GR1 did not.
73. Coleman violated Section 409.5-501(2), RSMo. (Cum. Supp. 2006), when he made the untrue statement of a material fact described immediately above.
74. Coleman's actions involving making an untrue statement of a material fact described above constitute an illegal act, practice, or course of business under Section 409.6-604(a), RSMo. (Cum. Supp. 2006).

**Respondent Coleman's Willful Violation or Willful Failure to Comply with the Missouri Securities Act of 2003**

75. Paragraphs 1 through 58 are incorporated by reference as though fully set forth herein.
76. Coleman willfully omitted to state a material facts, necessary to make statements made not misleading, as alleged in paragraph 74, and made an untrue statement of material fact, as alleged in paragraph 78, both in violation of Section 409.5-501(2), RSMo. (Cum. Supp. 2006).
77. Coleman's actions in omitting to state material facts necessary to make statements made not misleading, or in making the untrue statement of material fact, constitute a willful violation or a willful failure to comply with the Missouri Securities Act of 2003 under Section 409.4-412(d)(2), RSMo. (Cum. Supp. 2006).

78. A willful violation or willful failure to comply with the Missouri Securities Act of 2003, is grounds for discipline and/or a civil penalty pursuant to Section 409.4-412(c), RSMo. (Cum. Supp. 2006).

#### **IV. ORDER**

**NOW, THEREFORE**, it is hereby ordered that Respondents, their agents, employees and servants, and all other persons participating in or about to participate in the above-described violations with knowledge of this Order are prohibited from:

- A. in connection with the offer or sale of securities: 1) making an untrue statement of a material fact; 2) omitting to state a material fact necessary in order to make statements made, in the light of the circumstances under which they are made, not misleading; or 3) engaging in an act, practice, or course of business that operates or would operate as a fraud or deceit upon another person.
- B. advising others for compensation, either directly or indirectly or through publications or writings, as to the value of securities or the advisability of investing in, purchasing, or selling securities or, for compensation and as part of a regular business, issuing or promulgating analyses or reports relating to securities, in a manner that constitutes an act, practice or course of business that operates or would operate as a fraud or deceit upon another person.

**IT IS FURTHER ORDERED** that, pursuant to Section 409.6-604(d), RSMo. (Cum. Supp. 2006), the Commissioner will determine whether to grant the Enforcement Section's petition for an imposition of a civil penalty of up to ten thousand dollars (\$10,000.00) against each Respondent individually for multiple violations of Section 409.5-501, RSMo. (Cum. Supp. 2006), in a final order, unless Respondents request a hearing and show cause why the penalty should not be imposed.

**IT IS FURTHER ORDERED** that, pursuant to Section 409.4-412(c), RSMo. (Cum. Supp. 2006), the Commissioner will determine whether to grant the Enforcement Division's petition for an imposition of a civil penalty of up to fifty thousand dollars (\$50,000.00) against each Respondent, for multiple violations of Section 409.4-412(d)(2), RSMo. (Cum. Supp. 2006), in a final order, unless Respondents request a hearing and show cause why the penalty should not be imposed.

**IT IS FURTHER ORDERED** that, as the Enforcement Section has petitioned for an award of costs of the investigation against Respondents in this proceeding, the Commissioner will issue a final order pursuant to Section 409.6-604(e), RSMo. (Cum. Supp. 2006), awarding an amount to be determined after review of evidence submitted by the Enforcement Section, unless Respondents request a hearing and show cause why an award should not be made.

**IT IS FURTHER ORDERED** that the Commissioner will determine whether to refer this matter to the administrative hearing commission under Section 409.4-412(k), RSMo. (Cum. Supp. 2006), for revocation of registration purposes. Such referral, if any, will be made by separate order.

**SO ORDERED:**

WITNESS MY HAND AND OFFICIAL SEAL OF MY OFFICE AT JEFFERSON CITY,

MISSOURI THIS 25<sup>TH</sup> DAY OF OCTOBER, 2007.

State of Missouri  
Office of Secretary of State

Case No. AP-07-41

IN THE MATTER OF:

STEPHEN M. COLEMAN, CRD #1004434;  
DAEDALUS CAPITAL, LLC, CRD #112705; and  
CHICKEN LITTLE FUND GROUP, CRD #135592,

*Respondents.*

Serve all at:

500 North Broadway  
Suite 1450  
St. Louis, Missouri 63102

**NOTICE**

**TO: Respondents and any unnamed representatives aggrieved by this Order:**

You may request a hearing in this matter within thirty (30) days of the receipt of this Order pursuant to Section 409.6-604(b), RSMo. (Cum. Supp. 2006), and 15 CSR 30-55.020.

A request for a hearing must be mailed or delivering, in writing, to:

**Matthew D. Kitzi, Commissioner of  
Securities  
Office of the Secretary of State,  
Missouri  
Kirkpatrick State Information Center  
600 West Main Street, Room 229  
Jefferson City, Missouri, 65102.**

**CERTIFICATE OF SERVICE**

I hereby certify that on this 25<sup>th</sup> day of October, 2007, copies of the foregoing Order in the above styled case was **mailed by certified U.S. Mail, postage prepaid, to:**

Stephen M. Coleman  
500 North Broadway  
Suite 1450  
St. Louis, Missouri 63102

Daedalus Capital, LLC

ROBIN CARNAHAN  
SECRETARY OF STATE  
  
(Signed/Sealed)  
MATTHEW D. KITZI  
COMMISSIONER OF SECURITIES

500 North Broadway  
Suite 1450  
St. Louis, Missouri 63102

Chicken Little Fund Group  
500 North Broadway  
Suite 1450  
St. Louis, Missouri 63102

**And hand delivered to:**  
Lori Neidel  
Chief Enforcement Counsel  
Missouri Securities Division

John Hale  
Specialist